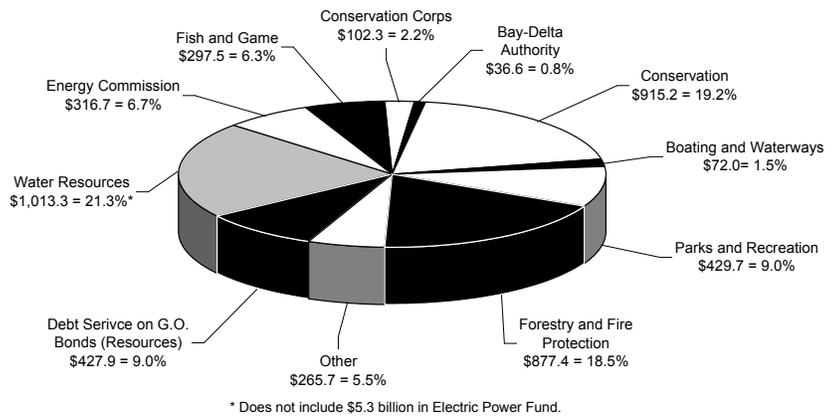


Resources

The Resources Agency oversees the activities of 25 departments, boards, commissions, and conservancies responsible for the protection and enhancement of California's diverse and spectacular cultural, historical, and natural resources. The Governor's Budget proposes \$4.8 billion (\$1.3 billion General Fund) and over 15,000 positions for state operations, local assistance, and capital outlay for the various entities within the Resources Agency (shown in Figure RES-01). This represents a reduction of \$1.8 billion from 2004-05 (an increase of \$200.6 million General Fund and a decrease of \$2 billion in other funds) and a reduction of 73 positions. The decrease is attributable to a reduction in bond funding available for expenditure in 2005-06.

Figure RES-01
Proposed Natural Resources Expenditures for 2005-06
All Funds
 (Dollars in Millions)



The Governor's Budget continues the Administration's commitment to protect the state's natural resources:

- The Budget implements many of the priorities included in the California Fire Prevention and Suppression Action Plan of September 2004, improving year-round fire protection for Southern California.
- The Budget also implements the California Ocean Protection Act and the Ocean Protection Council, and continues support for the Marine Life Protection Act.
- The Budget continues the Administration's commitment to the Lake Tahoe Environmental Improvement Program.
- The newly created Sierra Nevada Conservancy will aid in the protection of this majestic and scenic mountain range.
- The Department of Water Resources will continue the process of comprehensively assessing the condition of Central Valley levees and will develop alternatives to improve flood protection.

Department of Forestry and Fire Protection

The Department of Forestry and Fire Protection (CDF) provides fire protection and suppression on 31 million acres of nonfederal wildlands, responds to nonfire emergencies, and protects and

Resources

enhances forests, range lands, and watersheds. The CDF also has more than 140 agreements with counties, cities, and special districts to provide fully reimbursed fire protection services to local jurisdictions.

Program Enhancements and Other Budget Adjustments

The Governor's Budget proposes \$877 million (\$531 million General Fund and \$346 million other funds) and 5,314 positions for the Department. This represents an increase of \$6 million (an increase of \$17 million General Fund and decrease of \$11 million in special funds) and 54 positions above the 2004-05 level. Significant adjustments include:

- \$25 million for emergency firefighting costs.
- \$10.8 million for ongoing replacement of obsolete and outdated fire engines and helicopters.
- \$9 million and 48.8 positions to provide year-round wildland fire fighting capacity in Riverside, San Bernardino, and San Diego counties.
- \$2.9 million to update telecommunications equipment for common cross-jurisdictional use.

Department of Water Resources

The Department of Water Resources (DWR) protects, conserves, and develops the state's water supply. The DWR forecasts future water needs, evaluates and inventories existing water supplies, and explores conservation and storage options to meet the needs of the state's growing population. The DWR is also responsible for maintaining and repairing levees in the Central Valley and responding to emergency flood situations.

In addition to its water resource-related mission, the DWR also played a vital role in helping the state weather the energy crisis of 2001. The Department purchased vast quantities of electricity on behalf of utilities when they were unable to do so. Although the state's investor-owned utilities have resumed the responsibility for purchasing electric power for their customers, the DWR will expend \$5.3 billion from the Electric Power Fund for the purchase of electric power through long-term contracts entered into during the crisis. These costs are borne by electricity ratepayers.

Program Enhancements and Other Budget Adjustments

The Governor's Budget proposes \$1 billion and 2,565 positions to carry out the Department's programs in 2005-06. This represents an increase of \$64 million (an increase of \$70 million General Fund and a reduction of \$6 million in other funds) and 26 positions above the 2004-05 level. Of the total funds proposed, \$262 million from special funds will be expended for the operation of the State Water Project, which provides irrigation water for thousands of acres in the San Joaquin Valley and drinking water for millions of individuals in Southern California. Additionally, \$93 million will be spent on flood control and dam safety activities that protect billions of dollars of land and buildings

throughout California. Lastly, the Department will expend \$336 million to provide technical and financial assistance to local water agencies and support CALFED programs.

As a result of a recent court decision, *Paterno v. State of California*, the State is facing increased liability for the structural integrity of 1,600 miles of aging levees in the Sacramento and San Joaquin Valley flood control system. To address this new challenge, the Governor's Budget includes an additional \$9.7 million General Fund and 27 new positions to develop and implement a more comprehensive flood protection plan. This funding is the first installment of a three-year plan to improve and maintain the Sacramento and San Joaquin Valley flood control system. In addition, the Administration is exploring statutory reforms to place liability for damages caused by flooding where it appropriately should reside.

The improved Flood Management program will also develop and evaluate alternatives to provide sustainable funding for the State's flood protection role, including the potential formation of a Central Valley Flood Control Assessment District with the authority to assess fees to provide adequate flood control protection in the region. The plan also will look at the potential for mandatory insurance requirements for all people who reside behind flood control levees.

The Governor's Budget also proposes bond funds to continue the Department's work on CALFED-related programs and various other water management activities. Among the CALFED activities for 2005-06 will be projects to improve water storage, water use efficiency, and water conveyance.

California Bay-Delta Authority

The CALFED Bay-Delta Program is an unprecedented effort by the State and the federal government to coordinate the management of water, California's most precious natural resource, and restore the ecosystem. The Governor's Budget includes \$150.3 million for the State's share of the CALFED Program (\$12.1 million General Fund, \$125.1 million bond funds, and \$13.1 million other funds). This represents an overall reduction in program funding of \$258 million in bond and federal funds. The Bay-Delta Authority will have 60.8 positions to coordinate the CALFED program (no change from 2004-05).

Program objectives are set forth in a 30-year comprehensive plan to address the ecosystem health and water supply reliability problems in the Bay-Delta. The plan identifies projects and strategies to address 11 major program elements, including ecosystem restoration, drinking water quality, levee system integrity, watershed management, water storage, water transfers, water use efficiency, delta water conveyance, a strong science element, water management, and an environmental water account for water purchases.

The California Bay-Delta Authority coordinates 24 State and federal agencies involved in implementing a long-term comprehensive plan.

Resources

Program Financing

Implementation of the CALFED Program began in 2000 with the signing of the CALFED Record of Decision (ROD). Funding over the first four years has been primarily from the General Fund and State bond funds. Federal authorization of the CALFED Program was signed in 2004, and is expected to increase federal funding for the program. Since the ROD was signed, approximately \$2.7 billion has been invested in water supply, water quality, and ecosystem restoration programs and projects in the 51 counties that depend on the Bay-Delta system for all or part of their water needs. Of the \$2.7 billion, approximately 60 percent, or \$1.6 billion, has been contributed by the State. This is almost twice the share anticipated for the State in the ROD.

The California Bay-Delta Authority has developed a Finance Plan as a framework to guide the financing of the CALFED Bay-Delta Program through 2014. This plan reduces dependency on the General Fund and calls for new revenue sources to support the program. In summary, the plan:

- Establishes a set of principles to guide future funding decisions.
- Identifies program priorities, funding needs, and beneficiaries across all CALFED activities.
- Reduces the average annual cost of the program from \$1.3 billion to \$807 million per year.
- Proposes cost sharing for all program activities.
- Reduces the State's overall contribution from 59 percent over the last four years to 30 percent over the next ten years.
- Increases the federal contribution from 7 percent over the last four years to 21 percent over the next ten years. The recent federal authorization of the CALFED Program is a significant step towards this goal.
- Increases water user and local contributions from 33 percent over the last four years to 49 percent over the next ten years and identifies new potential water user fees for specific programs.

Figure RES-02 summarizes the financing plan highlighted above.

Consistent with the premise of the “beneficiary pays” identified in the CALFED Record of Decision, the Finance Plan identifies who will benefit from the programs and projects of the CALFED plan, and who should pay for them. State and federal funds are recommended only for projects that provide broad

Figure RES-02

CALFED Bay-Delta Program 10-Year Funding Allocations by Beneficiary (Dollars in millions)

Program Element	State	Federal	Water Users	Local Match	Total Funding
Ecosystem Restoration	\$542	\$408	\$400	\$150	\$1,500
Environmental Water Account	180	135	123		438
Water Use Efficiency	575	530		2,048	3,153
Water Transfers	6				6
Watershed	196	161		66	423
Water Quality	81	72	17	106	276
Levees	186	175	32	53	446
Storage	292	36	9	750	1,087
Conveyance	109	6	71		186
Science	167	151	109	10	437
Oversight & Coordination	74	47			121
TOTAL Dollars	\$2,408	\$1,721	\$761	\$3,183	\$8,073
TOTAL Percentage	30%	21%	9%	40%	100%

public benefits. Water users should pay for projects and programs that result in specific benefits to them. Local governments and water districts will be expected to provide a local match for projects with local benefits.

The Bay-Delta Authority will work with water users, local water agencies, environmental advocates, and other stakeholders to develop a plan for how the non-State and federal share will be financed. The plan will be incorporated in the Governor's May Revision.

Department of Parks and Recreation

The Department of Parks and Recreation is responsible for preserving the state's extraordinary biological diversity, natural and cultural resources, and providing high-quality outdoor recreational opportunities. The State Park System consists of 278 units including parks, beaches, trails, wildlife areas, open spaces, off-highway vehicle areas, and historic sites.

Program Enhancements and Other Budget Adjustments

The Governor's Budget proposes \$429.7 million (\$101 million General Fund) and 3,012 positions for state operations, local assistance, and capital outlay. This represents an increase of \$14 million General Fund and a reduction of \$650 million in other funds compared to 2004-05. The reduction in other funds reflects the fact that less bond funding will be available for expenditure in 2005-06. The Budget includes seven positions and \$1.3 million for the management and operation of an additional 13 miles of pristine coastline acquired through the purchase of the Hearst Ranch. In addition, the Department will dedicate \$11.8 million to continue park improvements to make more facilities accessible to persons with disabilities.

Park fee increases also are proposed to help fund repairs and improvements to State Park water, wastewater, and sewer systems in order to achieve compliance with State and federal legal mandates for drinking water and waste discharge.

Department of Fish and Game

The Department of Fish and Game maintains native fish, wildlife, plant species, and natural communities for their intrinsic and ecologic values and their benefits to people.

Program Enhancements and Other Budget Adjustments

The Governor's Budget proposes \$297.5 million (\$37.3 million General Fund) and 2,057 positions for the Department. This represents an increase of 15 positions and a reduction of \$68 million (\$1 million General Fund and \$67 million other funds). The reduction of funds is primarily attributable to less tidelands oil revenue being available to the Department in 2005-06 than in 2004-05. The proposed Budget includes continued support of state fish hatcheries with tidelands oil revenue appropriated in

Resources

2004-05 to offset prior year reductions. A portion of this funding will carry over into 2005-06 to help maintain a level of hatchery-produced fish consistent with prior years, thereby ensuring continued opportunities for the sport and commercial fishing public. An augmentation of \$2.2 million from Proposition 12 and reimbursements will provide for development, enhancement, and restoration of wildlife areas, ecological reserves, and donated lands managed by the Department, including eradication or control of noxious weeds on Department lands in San Diego County. An augmentation of \$500,000 will continue efforts to implement provisions of the Marine Life Protection Act of 1999 by conducting work on the design and management of marine protected areas.

Sierra Nevada Conservancy

The Sierra Nevada Conservancy was recently created to preserve and restore significant natural, cultural, archaeological, and recreational resources in the Sierra Nevada Mountains.

Program Enhancements and Other Budget Adjustments

The Governor's Budget includes \$3.6 million and 13.5 positions to provide services in a 22-county area within the Sierra Nevada Mountains. This is the first year of operation for the Sierra Nevada Conservancy and thus these amounts reflect net increases. The Conservancy also will develop and implement program objectives and guidelines including preserving and restoring physical and historical resources, protecting water quality, maintaining working landscapes, and providing increased recreation and tourism opportunities.

California Tahoe Conservancy

In an effort to preserve, restore, and sustain the unique natural resources and recreational opportunities in the Lake Tahoe Basin, California entered into agreements with the State of Nevada and the federal government in 1997 and 1998. These agreements commit the State, the federal government, the State of Nevada, the Tahoe Regional Planning Agency and the affected local government entities to the Lake Tahoe Environmental Improvement Program (EIP). Of its \$275.1 million share, California has committed \$175.7 million (64 percent) for acquisition and site improvement projects. In addition, the State has also funded \$5.6 million for EIP research, monitoring, and program activities.

Program Enhancements and Other Budget Adjustments

The Governor's Budget continues California's commitment to the EIP and to planning and related efforts at Lake Tahoe by providing \$20.7 million in bond funds and special funds to the Tahoe Conservancy, and \$13.9 million in other departmental budgets, for a total of \$34.6 million.

Coastal Conservancy

The State Coastal Conservancy develops and implements programs to protect, restore, and enhance natural, recreational, and economic resources along California's coast, coastal watersheds, the ocean, and within the San Francisco Bay area.

Program Enhancements and Other Budget Adjustments

The Governor's Budget proposes \$69 million and 66 positions for the Conservancy in 2005-06. This represents an increase of one position and a decrease of \$217 million in other funds. The reduction in funding is attributable to less bond money being available for expenditure in 2005-06. The Budget includes \$1 million from tidelands oil revenue to implement the Ocean Protection Council.

The Council will coordinate statewide activities related to protecting coastal waters, coastal watersheds, and ocean ecosystems. The Council also will develop and recommend strategies to ensure the sustainability of ocean resources and habitats.

The Governor's Budget also includes \$18.8 million from Proposition 12 and Proposition 40 for the San Francisco Bay Area Conservancy Program and the Santa Monica Bay Restoration Project, and to acquire and restore properties and build public access, waterfront, and educational facilities.

The Budget further includes \$31.5 million in bond funds to plan, design, and implement watershed protection projects. Activities include acquisition and restoration of watershed lands, removal of barriers to fish passage, eradication of invasive plants, installation of facilities to improve water quality, and enhancement of ocean habitats.